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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 401.1 | Page 1 |
| Community Services Policy Manual | SUBJECT Financial Administration: EXPENDITURE REPORT COMMUNITY SERVICES BLOCK GRANT | | EFFECTIVE DATE 01-01-97 END DATE |

ISSUANCES AFFECTED: A. REFERENCES Community Services Block Grant Agreement

B. RESCISSIONS Michigan Community Action Agency Instruction Letter CSBG 96-02

BACKGROUND: The Community Services Block Grant Agreement, Section II.F., requires the submission of a monthly expenditure report.

POLICY: The Grantee is required to submit a monthly Statement of Expenditures, FIA-1070, to the Agency. The FIA-1070 will identify actual expenditures incurred by category of expense in the performance of the program for the period being billed. See Item 202 for forms, and Item 402.1 for definitions of cost categories on the form.

The FIA-1070 will be submitted within 30 days from the end of the monthly billing period. If the billing is not received during this period, no payment will be made by the Agency for that billing period unless an exception is specifically authorized by the Agency director or delegated representative. In no event, will the Agency make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period.

The Grantee will submit one FIA-1070 with an original signature and three copies to:

Family Independence Agency
 Grand Tower, Suite 1313
 P.O. Box 30037
 235 South Grand Avenue
 Lansing, Michigan 48909

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| Community Services Policy Manual | SUBJECT Financial Administration: EXPENDITURE REPORTS WEATHERIZATION ASSISTANCE PROGRAM | | EFFECTIVE DATE 11-01-01 ISSUE DATE 10-24-01 |

ISSUANCES AFFECTED:

REFERENCES Weatherization Assistance Program Agreement

BACKGROUND:

The Weatherization Assistance Program Agreement, Section II.F., requires the submission of a monthly expenditure report.

POLICY:

The Grantee is required to submit a monthly Statement of Expenditures, FIA-4326, to the Agency. The FIA-4326 will identify actual expenditures incurred, by category of expense, in the performance of the program for the period being billed. See the end of this item for a copy of the form and Item 402.2 for definitions of cost categories on the form. FIA-4326-A, WAP Vehicle Purchase, is required for a vehicle purchased during the Program Year. If the Grantee is amortizing, FIA-4326-A is required throughout the period of amortization.

In instances where costs are shared between LIHEAP and DOE for a particular dwelling, they should be allocated in accordance with the Grantee's written cost allocation plan, as required in Item 403. See Item 202 for Form FIA-4326 and for Form FIA-4326A.

FIA-4326, Statement of Expenditures

Section III: When purchasing a vehicle and not amortizing, the cost of the vehicle is reported in Support. If amortizing, the cost of the vehicle is reported in Vehicle Purchase. The vehicle cost is reported in the month(s) the payment(s) is made.

Section V: If the grantee chooses to amortize the cost of the vehicle the amount amortized Program Year to Date goes on line 2. This allows the grantee to spread the cost of the vehicle purchase over the life of the vehicle reducing the impact to the average cost per unit. FIA encourages grantees not to amortize if, when the cost of the vehicle is included in support, the grantee's average cost per unit remains under the allowable limit.

For reporting vehicle purchase expenditures in Section III of the FIA-4326:

- **Line 3 - Support:** Include vehicle purchase expenditures here if not amortizing.
- **Line 5 – Vehicle Purchase:** If amortizing, report vehicle purchase expenditures here.

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For reporting average costs in Sections V-VII of the FIA-4326:

- **Section V - Average Cost Per Unit:** Add the total of Labor, Materials and Support costs (Section III, Line 4) and the Program Year To Date (PYTD) amortized vehicle cost, if any, and subtract the Health and Safety expenditures PYTD (Section VI, Line 1). Divide the total costs by the total units* completed program year-to-date.
- **Section VI - Average Health and Safety Cost:** This is the average for all completed units. Divide total program year-to-date health and safety expenditures by total units* completed PYTD, including units not receiving health and safety measures.
- **Section VII – Total Repair Cost:** Enter the total program year-to-date repair cost.

*Note: Total units do not include LIHEAP-Only units.

FIA-4326-A, Vehicle Purchase:

Submit the FIA-4326-A, WAP Vehicle Purchase, to report vehicle purchase expenditures that occur during the Program Year. If amortizing, the report must be submitted monthly throughout the period of the amortization.

Section II, Amortizing Report:

Complete this section monthly if amortizing

The FIA-4326 and the FIA-4326-A, if needed, are to be submitted within 30 days from the end of the monthly billing period. If the billing is not received during this period, no payment will be made by the Agency for that billing period unless an exception is specifically authorized by the Agency director or delegated representative. In no event, will the Agency make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period.

The Grantee will submit one FIA-4326 and one FIA-4326-A, if needed, with original signature(s) and three copies to:

Family Independence Agency
Grand Tower, Suite 1314
P.O. Box 30037
235 South Grand Avenue
Lansing, Michigan 48909

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 401.3 | Page 1 |
| Community Services Policy Manual | SUBJECT Financial Administration: EXPENDITURE REPORT LOW INCOME HOME ENERGY ASSISTANCE PROGRAM | | EFFECTIVE DATE 01-01-97 END DATE |

ISSUANCES AFFECTED: A. REFERENCES Grant Action Notice for Low Income Home Energy Assistance Program

B. RESCISSIONS Michigan Community Action Agency Instruction Letter LIHEAP 96-01

BACKGROUND: The Grant Action Notice for Low Income Home Energy Assistance Program requires the submission of a monthly expenditure report.

POLICY: The Grantee is required to submit a monthly Statement of Expenditures, FIA-4326, to the Agency. The FIA-4326 will identify actual expenditures incurred by category of expense in the performance of the program for the period being billed. See Item 202 for forms, and Item 402.3 for definitions of cost categories on the form.

In instances where costs are shared between LIHEAP and DOE for a particular dwelling, they should be allocated in accordance with the Agency's written cost allocation plan, as required in Item 403.

The FIA-4326 will be submitted within 30 days from the end of the monthly billing period. If the billing is not received during this period, no payment will be made by the Agency for that billing period unless an exception is specifically authorized by the Agency director or delegated representative. In no event, will the Agency make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period.

The Grantee will submit one FIA-4326 with an original signature and three copies to:

Family Independence Agency
 Grand Tower, Suite 1313
 P.O. Box 30037
 235 South Grand Avenue
 Lansing, Michigan 48909

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 401.4 | Page 1 |
| Community Services Policy Manual | SUBJECT Financial Administration: EXPENDITURE REPORT STATE EMERGENCY FUNDS | | EFFECTIVE DATE 01-01-97 END DATE |

ISSUANCES AFFECTED: A. REFERENCES State Emergency Funds Agreement

B. RESCISSIONS Michigan Community Action Agency
Instruction Letter SEF 97-01

BACKGROUND: The State Emergency Funds Agreement, Section II.F., requires the submission of a monthly expenditure report.

POLICY: The Grantee is required to submit a monthly Statement of Expenditures, FIA-3009, to the Agency. The FIA-3009 will identify actual expenditures incurred by category of expense in the performance of the program for the period being billed. See Item 202 for forms, and Item 402.4 for definitions of cost categories on the form.

The FIA-3009 will be submitted within 30 days from the end of the monthly billing period. If the billing is not received during this period, no payment will be made by the Agency for that billing period unless an exception is specifically authorized by the Agency director or delegated representative. In no event, will the Agency make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period.

The Grantee will submit one FIA-3009 with an original signature and three copies to:

Family Independence Agency
Grand Tower, Suite 1313
P.O. Box 30037
235 South Grand Avenue
Lansing, Michigan 48909

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| Community Services Policy Manual | SUBJECT: Financial Administration EXPENDITURE REPORT TEMPORARY ASSISTANCE FOR NEEDY FAMILIES FUNDS | | EFFECTIVE DATE 10-01-02 END DATE ISSUE DATE 08-06-02 |

REFERENCES Temporary Assistance to Needy Families (TANF) Agreement

BACKGROUND:

The Temporary Assistance to Needy Families (TANF) Agreement, Section I. E., requires the submission of a monthly expenditure report.

POLICY:

The Grantee is required to submit a monthly TANF-Statement of Expenditures, FIA-3470, to the Agency. The FIA-3470 will identify actual expenditures incurred by category of expense in the performance of the program for the period being billed. See Item 202 for this form.

The FIA-3470 will be submitted within 30 days from the end of the monthly billing period. If the billing is not received during this period, no payment will be made by the Agency for that billing period unless an exception is specifically authorized by the Agency director or delegated representative. In no event, will the Agency make a payment to the Grantee for billings submitted more than 90 days after the end of a billing period.

The Grantee will submit one FIA-3470 with an original and two copies to:

Family Independence Agency
 Family and Community Services
 PO Box 30037
 Grand Tower, Suite 1314
 Lansing, MI 48909

Instructions for Completing FIA-3470, TANF Statement of Expenditures

Section I and II are self-explanatory.

Section III-Admin vs. Non-Admin by line item.

The administrative costs are those occurring by the general management of the program and do not relate directly to specific assistance to individuals.

Non-administrative expenses are those that are related to directly providing specific assistance to individuals. For example, a counselor's salary and fringes for the period of time spent delivering specific assistance to an individual would be

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non-administrative. Communications, supplies, equipment, transportation, and occupancy directly related to the delivery of specific assistance to individuals is non-administrative.

Note: An agency will most likely have expenditures in both Admin and Non-Admin columns.

The last column collects the TOTAL amount expended Year-To-Date.

Section IV-Clients, Service Category and Costs

These costs are the total of the line items broken down by each category of service. All costs for salary, fringes, occupancy, communication, supplies, transportation, contractual services and specific assistance to individuals are to be totaled for each category of service.

The total in Section III non-administrative YTD should match the total of Expenditures YTD in Section IV.

Type of Service

Emergency: Non-recurrent, short term benefits that are designed to deal with a specific crisis situation or episode of need.

Case Management: An organized set of activities or services following a goal oriented action plan.

Employment Support and Retention: Employment related support services such as job retention, job advancement services or counseling.

Family Self Sufficiency: Family preservation support services such as counseling, peer support, child care information and referral.

CSBG Information Memorandum 37 Definition and Allowability of Direct and Administrative Costs

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COMMUNITY SERVICES BLOCK GRANT PROGRAM

Information Memorandum U.S. Department of Health and Human Services

Administration for Children and Families

Office of Community Services

Division of State Assistance

370 L'Enfant Promenade, S.W.

Washington, D.C. 20447

Transmittal No.37Date: December 10, 1999

To:State Community Services Block Grant Directors, State Comptrollers, U.S. Territories, Native American Tribes and Tribal Organizations, Community Action Agencies, Community Development Corporations, and other non-profit organizations receiving Community Services Block Grant (CSBG) funds.

Subject:Definition and allowability of direct and administrative costs.

Purpose:This memorandum clarifies the definition and allowability of "direct" program and "administrative" costs under the Community Services Block Grant (CSBG) and new programmatic reporting requirements. The memo specifically addresses use of CSBG funds for planning, coordination, integration, strengthening, and expansion of public and private assistance related to the elimination of poverty.

Related References: Community Services Block Grant Act of 1998, 42 USC § 9901-9920 (1999); OMB Circular A-122; OMB Circular A-133; HHS Results Oriented Management and Accountability Guide (1999).

Policy Summary:

For CSBG program reporting requirements, the HHS Office of Community Services (OCS) defines "direct" program and "administrative" costs in accordance with three criteria: (i) meeting Congressional intent for the program; (ii) achieving consistency with HHS audit and financial management standards; and (iii) ensuring a common basis for relating expenditures to the CSBG Results Oriented Management and Accountability System (ROMA).

"Direct" program costs can be specifically identified with delivery of a particular project, service, or activity undertaken by a grantee to achieve an outcome intended by the funding program. For CSBG, such direct costs derive from the funding objectives specified in the reauthorizing statute, and from the goals and outcome measures in the ROMA system required by that statute. Direct program costs are

incurred for the service delivery and management components within a particular program or project. Therefore, direct program costs include expenditures on some activities with administrative qualities, including salaries and benefits of program staff and managers, equipment, training, conferences, travel, and contracts that expressly relate to the delivery of an individual program or service funded by a specific grant source.

"Administrative" costs, in the context of CSBG statutory reporting requirements, are equivalent to the familiar concepts of "indirect" costs or "overhead." As distinguished from program administration or management expenditures that qualify as direct program costs, administrative costs refer to central executive functions that do not directly support a specific project or service. Rather, administrative costs are incurred for common objectives that benefit multiple programs administered by the grantee organization, or the organization as a whole, and as such are not readily assignable to a particular program funding stream. Administrative costs relate to the general management of the grantee organization, such as strategic direction, Board development, Executive Director functions, accounting, budgeting, personnel, procurement, and legal services.

Under the CSBG reauthorization and national ROMA goals, eligible programmatic activities explicitly include efforts to coordinate and strengthen a range of local programs and services that combat poverty. These efforts often entail planning and management functions that facilitate integrated approaches among more categorical public, private, and non-profit entities within a community. They also provide additional resources to enhance or supplement the activities of programs that receive other Federal, State, local, and private funding. OCS considers such functions to constitute a core CSBG program purpose, significant and necessary to the grantee mission, pursuant to Congressional intent. Use of CSBG funds to augment and coordinate other programs is an allowable cost. Furthermore, although some of these functions have administrative qualities, related expenditures that can be specifically identified with a programmatic activity to coordinate and strengthen other programs and services should be categorized as direct program costs, because they achieve an outcome intended by the Congress in the express language of the CSBG reauthorizing statute.

Background

New reporting requirements in the CSBG reauthorization, and potential confusion with terminology used in OMB Circular A-122 and the cost accounting field, necessitate some clarification for grantees and auditors regarding (1) the definition of different cost categories in the CSBG program and (2) the character and allowability of CSBG expenditures to coordinate and link multiple anti-poverty programs.

The CSBG reauthorization requires that HHS report to Congress on use of CSBG funds by grantees, including a breakdown of expenditure by "direct" and "administrative" functions. 42 U.S.C. § 9917(b)(2)(B) (1999). The statute also requires that HHS define "direct" and "administrative" costs for those purposes. 42 U.S.C. § 9917(b)(3). In addition, OMB Circular A-122, Cost Principles for Non-Profit Organizations uses similar terms, with different meanings, in providing guidance on setting indirect cost rates and charging expenditures to grants. OMB Circ. A-122 Attach. A §§ B and C(3) (1998). OCS is promulgating this information memorandum to clarify the definitions of costs for programmatic reporting requirements under the CSBG statute; the memo does not modify the requirements of OMB Circular A-122 or how grantees define costs for the purposes of establishing indirect cost rates for the CSBG program.

CSBG funds may be used to undertake a very broad range of activities, including linking and strengthening other anti-poverty programs and services. For example, CSBG funds may support planning, coordination, and capacity-building to improve the effectiveness of other community programs and organizations. CSBG funds also may be used to enhance and supplement other federally-funded programs. 42 U.S.C. § 9901(2), 42 U.S.C. § 9908(b)(1)(C), 42 U.S.C. § 9908(b)(5). The relatively unusual flexibility to fund coordination and enhancement programs, which sometimes have managerial and administrative qualities, may generate questions regarding the character of those expenditures under the costing definitions. Therefore, OCS is providing guidance regarding what constitutes a direct or administrative cost in those circumstances. Furthermore, OCS is reaffirming that such expenditures are allowable costs under the CSBG statute.

Definitions of CSBG Direct Program Costs and Administrative Costs

The CSBG reauthorization requires that HHS provide a programmatic report to Congress that includes use of CSBG funds by grantees by expenditures on "direct" and "administrative" functions. 42 U.S.C. § 9917(b)(2)(B) (1999). For the purpose of this programmatic report, OCS offers guidance on defining these terms to help ensure consistency among grantees in assigning costs to these categories --

Direct Program Costs for CSBG Reporting. Direct program costs can be identified with delivery of a particular project, service, or activity intended to achieve an objective of the grant award. For the CSBG award, those purposes and eligible activities are specified in the reauthorizing statute and reflected in the national ROMA performance measures. Direct program costs are incurred for the service delivery and management components within a particular program or project. Therefore, direct costs include expenditures on some activities with administrative qualities, including salaries and benefits of program staff and managers, equipment, training, conferences, travel, and contracts, as long as those expenses relate specifically to a particular program or activity, not to the general administration of the organization.

Administrative Costs for CSBG Reporting. In the context of CSBG statutory reporting requirements, administrative costs are equivalent to typical indirect costs or overhead. As distinguished from program administration or management expenditures that qualify as direct costs, administrative costs refer to central executive functions that do not directly support a specific project or service. Incurred for common objectives that benefit multiple programs administered by the grantee organization, or the organization as a whole, administrative costs are not readily assignable to a particular program funding stream. Rather, administrative costs relate to the general management of the grantee organization, such as strategic direction, Board development, Executive Director functions, accounting, budgeting, personnel, procurement, and legal services. Contrast with OMB Circular A-122 Definitions. OMB Circular A-122 establishes general principles for determining the costs of Federal grants for non-profit organizations. In contrast, the new CSBG reporting requirement focuses on developing a better understanding of the specific relationship between CSBG funding and program operations, particularly in the context of ROMA objectives.

The Circular provides grantees with guidance on accumulating direct and indirect costs in order to ascertain the total or "full costs" of a grant program. Circular requirements ensure that a grantee is internally consistent in the manner it charges costs to Federal grant sources, so that costs charged to a grant as "direct" costs do not duplicate the same or similar costs included and charged to a grant through an approved

indirect cost rate. Furthermore, indirect costs may be classified within the subcategories of "administrative" costs and "facilities" costs. The Circular permits grantees substantial latitude in defining and grouping these costs, dependent on an organization's structure, number of programs operated, funding sources, and accounting systems.

Therefore, "administrative" costs as defined under the OMB Circular A-122 are not necessarily interchangeable with "administrative" costs for CSBG program reports. If the Circular's definitions were used for CSBG programmatic reporting requirements, the latitude provided in the Circular could result in "direct" and "administrative costs" being overstated or understated for purposes of CSBG program reports. For example, the Circular permits grantees to include all facility costs, including maintenance and operations, as a separately identified category in calculating their indirect cost rates. However, for CSBG program reports, facility costs attributable to the operation of direct program activities should be reported as "direct" costs, and facilities costs associated with general management of the organization should be reported as "administrative" costs. The same principle for assigning a direct cost in CSBG program reports applies to any other costs included in an organization's approved indirect cost rate that can be identified with delivery of a particular activity to achieve an objective of the CSBG award.

Thus, in CSBG program reports, grantees might deviate from the definition of "administrative" costs used in developing an indirect cost rate under OMB Circular A-122. Again, such a recasting for purposes of a CSBG program report does not in any way modify the requirements of the Circular or the classification of costs in a grantee's approved indirect cost rate. Claims for actual expenditures on Federal grant programs must remain consistent with the classification of costs used in the approved indirect cost rate. Optional Supplemental Cost Information. In reporting on the distribution of CSBG expenditures between direct and administrative costs, CSBG recipients might also wish to include information on the distribution of overall agency spending between direct and administrative costs. Such information on the relative proportion of overall agency expenditures could provide a more accurate picture of agency operations and help to interpret the role of CSBG funds in supporting agency programs.

Allowability of CSBG Expenditures on Coordination and Strengthening Activities

The purpose of the CSBG award differs from most other grants because it does not focus on funding a particular service; CSBG does not function solely as a "stand alone" program. Rather, CSBG funding can support (1) creation of new programs and services, (2) augmentation of existing programs and services; and (3) organizational infrastructure required to coordinate and enhance the multiple programs and resources that address poverty conditions in the community.

The requirements for allowable costs are unique to each Federal program and are found in the laws, regulations, and provisions of grant agreements pertaining to the program. OMB Circ. A-133 Compliance Supp. 3(A) (1997). In addition, allowable costs should comply with several general criteria: (1) reasonable and necessary for performance and administration of the award; (2) conforming to limitations or exclusions set in the award or OMB Circular A-122 Attachment B; (3) consistent with the uniform policies and procedures of the organization; (4) allocated consistently as direct or indirect in like circumstances; (5) in accordance with generally accepted accounting principles; (6) not used to match the cost-sharing or matching requirements of another federally-funded program, or charged as a cost to such a program; and (7) documented adequately. See e.g. OMB Cir. A-122

Attach. A § A(2).

Within this framework, use of CSBG funds to both coordinate and expand local services and programs related to the elimination of poverty meet the standards for allowable costs. These activities comprise the largest spending category for the CSBG award. They often entail planning and management functions that facilitate shared resources and integrated approaches among multiple categorical services and programs within a community. They also leverage, enhance, and supplement the impact of programs supported by other Federal, State, local, and private funding sources.

The CSBG reauthorizing statute specifically targets "the strengthening of community capabilities for planning and coordinating the use of a broad range of Federal, State, local, and other assistance (including private resources) related to the elimination of poverty, so that this assistance can be used in a manner responsive to local needs and conditions." 42 U.S.C. § 9901(2)(A). The statute requires grantees to develop linkages that fill identified gaps in services and support innovative community and neighborhood-based initiatives. 42 U.S.C. § 9908(b)(3)(B). The statute also requires that grantees "coordinate, and establish linkages between, governmental and other social services programs to assure the effective delivery of such services to low-income individuals and to avoid duplication of such services" 42 U.S.C. § 9908(b)(5).

The statutory mandate for coordination is reinforced by the goals and outcome measures established in the ROMA performance-based management system, now made compulsory by the CSBG reauthorization. 42 U.S.C. § 9908(12). Two of the six ROMA goals are "developing partnerships among supporters and providers of services to low-income people" and "increasing the capacity of local agencies to achieve results." Office of Community Serv., U.S. Dep't of Health and Human Serv., ROMA Guide 2-8 (1999). These coordinating and strengthening programs may include, but are not limited to: multi-agency strategic planning; community-wide needs assessments; co-location of complementary services; computerization of common intake and referral systems; formalized networking to share resources and facilities; and organization of cross-sector coalitions to address specific community concerns.

The CSBG reauthorizing statute also explicitly permits the use of CSBG funds to augment existing community-based programs. The legislation calls for "the broadening of the resource base of programs directed to the elimination of poverty" 42 U.S.C. § 9901(2)(E). It also provides funds to "make more effective use of . . . other programs related to the purposes" of the CSBG legislation. 42 U.S.C. § 9908(b)(1)(C). For example, CSBG funds can be applied to "support development and expansion of innovative community-based youth programs" 42 U.S.C. § 9908(b)(1)(B).

CSBG funds do remain subject to the standard grant policy prohibition against "cost shifting." This policy prohibits using funds from one grant award to pay for program costs instead of the funds already provided for those same costs within another current-year Federal grant award. However, the policy does not prevent using funds from one grant award to pay for program costs in excess of the amounts provided for those costs in the other current-year award. Specifically, CSBG funds may not be used in place of the amounts provided by another current-year Federal grant award for (1) direct or administrative expenditures that were included as line items in that other grant award, or (2) costs that were included in developing the indirect cost rate. However, CSBG funds may be used to pay for costs of such program activities above and beyond the levels financed by another Federal grant award.

Therefore, consistent with Congressional intent and HHS grants policy, CSBG funds may supplement other grant awards by paying for expansion and enhancement of existing services and programs that already receive Federal, State, local, or private funding for those activities. Outcomes of these CSBG expenditures should be accounted for in the ROMA performance-based management system.

Cost Allocation for CSBG Coordination and Strengthening Activities

Because funding the coordination and enhancement of multiple community-based programs is an explicit objective of the CSBG statute, grantee expenditures on projects, services, or activities in these areas constitute appropriate objects for the purposes of assigning direct costs, as well as administrative costs.

Such grantee programs to "coordinate and strengthen" may entail planning and management functions with some characteristics that resemble typical administrative costs, but should be treated as direct costs. For example, CSBG funds can be used to create and maintain a computer network among multiple service providers in a community. CSBG funds can be applied to develop and operate a one-stop family center that houses multiple service providers and programs funded by other sources. CSBG funds can pay for community-wide needs assessments and multi-service strategic planning. CSBG funds also can finance compilation, publication, and distribution of information to help clients make better use of services and programs funded by other sources. The objective of these CSBG-funded coordination programs is to connect and make more effective use of the underlying services and programs, pursuant to the CSBG statutory mandate. Therefore, these activities constitute a core CSBG program purpose, significant and necessary to the grantee mission, and an outcome intended by the funding program to which direct costs should be assigned.

The allocation between direct and administrative costs for these programs should be determined in accordance with the grantee's standard procedures for recovering eligible costs, either through calculation and application of the grantee's indirect cost rate, or through direct charges to the grant award.

HHS Reviews

This memorandum was reviewed by staff in the HHS Office of Grants and Acquisition Management.

Inquiries

Please address questions to: U.S. Department of Health and Human Services

Administration for Children and Families
Office of Community Services
Division of State Assistance
370 L'Enfant Promenade SW, Suite 500 West
Washington, DC 20447
(202) 401-2333 [main phone]
(202) 401-5713 [fax]
Margaret Washnitzer, D.S.W.
Director
Division of State Assistance
Office of Community Services

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| Community Services Policy Manual | SUBJECT Financial Administration: COST CATEGORIES WEATHERIZATION ASSISTANCE PROGRAM | | EFFECTIVE DATE 01-01-97 END DATE |

ISSUANCES AFFECTED: A. REFERENCES Weatherization Assistance Program Agreement

Master Agreement

OMB Circular A-122, Cost Principles for Nonprofit Organizations

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

10 CFR Part 440, Weatherization Assistance Program for Low-Income Persons

B. RESCISSIONS WGM 83-11

BACKGROUND:

This item contains descriptions of cost categories that are used both on the FIA-4326, Statement of Expenditures, and in preparation of the Grantee's Weatherization Plan.

Allowability of costs is addressed in the Weatherization Assistance Program Agreement, the Master Agreement, 10 CFR Part 440, and the applicable Office of Management and Budget Circulars.

POLICY:

1. Labor/Standard Measures

Wages and fringe benefits related to the installation of standard weatherization measures. This line item includes weatherization contractors, pre and post inspectors, field supervisors who are installing materials, and warehouse personnel who are engaged in handling materials.

2. Materials/Standard Measures

a. Materials purchased for the installation of standard weatherization measures in accordance with 10 CFR 440, Part A.

b. Materials purchased for incidental repairs as defined in 10 CFR 440.3.

3. Support

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- a. Wages and fringes of supervisory personnel. This includes personnel that are involved in supervising the work of labor. A percentage of the weatherization coordinator's salary and fringe benefits spent in the actual supervision of labor may be included in this line item (see 6.b. below).
 - b. Wages and fringes of outreach staff.
 - c. Costs to support the staff functions of the personnel identified in 3.a. and 3.b. above (i.e., space costs, communication costs, travel costs, etc.).
 - d. Transportation of weatherization materials, tools, equipment, and work crews to storage site and to the site of weatherization work.
 - e. Equipment costs which include depreciation or use allowance, insurance to cover the equipment, rental/lease costs for equipment, and repair and maintenance costs related to such equipment. The purchase price of equipment cannot be charged directly to a grant/contract with the exception of vehicles purchased with Department of Energy funds. See Item 404 regarding equipment purchases and Item 404.2 regarding purchase of vehicles for the Weatherization Assistance Program.
 - f. Maintenance of tools and equipment.
 - g. Storage of weatherization materials, tools, equipment, and weatherization vehicles.
4. Labor/Capital Intensive
- Wages and fringe benefits related to the installation of capital intensive weatherization measures.
5. Materials/Capital Intensive
- Materials purchased for the installation of capital intensive weatherization measures in accordance with 10 CFR Part 440.18 (see Item 606).
6. Administration

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| Community Services Policy Manual | SUBJECT Financial Administration: COST CATEGORIES WEATHERIZATION ASSISTANCE PROGRAM | | EFFECTIVE DATE 01-01-97 END DATE |

- a. Wages and fringe benefits of secretaries, fiscal personnel, and other central administrative staff.
- b. Wages and fringe benefits of the weatherization coordinator when not carrying out the functions allowed under program support. There must be a time sheet to support the distribution between administration and support.
- c. Costs to support the staff functions of the personnel identified in 6.a. and 6.b. above (i.e., space costs, communication costs, travel costs, etc.).
- d. The cost of the audit performed in accordance with OMB Circular A-133 or OMB Circular A-128.
- e. Indirect costs.

7. Training/Technical Assistance

This line item includes the following:

- a. Cost for staff attending DOE-sponsored or state-sponsored weatherization training (regional or national).
- b. Cost of printing client education materials.
- c. Cost of tuition and related charges for staff computer skills directly related to the weatherization program automation activities.
- d. Wages and fringe benefits of staff while attending an approved training activity.
- e. Cost of staff attendance at Michigan Regional Weatherization Coordinator meetings.
- f. Subscriptions to technical publications.
- h. Equipment or services that directly contribute to the overall efficiency of the weatherization program. This must be justified in the plan submitted by the Grantee. See Item 404 regarding the purchase of

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 402.2 | Page 4 of 4 |
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equipment and Item 404.2 regarding the purchase of vehicles for the Weatherization Assistance Program.

8. Liability Insurance

This line item includes the cost of liability insurance for personal injury and property damage for the weatherization assistance program. This line covers the cost of general liability insurance. (Vehicle insurance is charged to support.)

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 402.3 | Page 1 of 3 |
| Community Services Policy Manual | SUBJECT Financial Administration: COST CATEGORIES LOW INCOME HOME ENERGY ASSISTANCE PROGRAM | | EFFECTIVE DATE 01-01-97 END DATE |

ISSUANCES AFFECTED: A. REFERENCES Grant Action Notice for Low Income Home Energy Assistance Program

Master Agreement

OMB Circular A-122, Cost Principles for Nonprofit Organizations

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

10 CFR Part 440, Weatherization Assistance Program for Low-Income Persons

B. RESCISSIONS Michigan Community Action Agency Instruction Letter LIHEAP 96-01

BACKGROUND:

This item contains descriptions of cost categories that are used on the FIA-4326, Statement of Expenditures, and in preparation of the Grantee's Low Income Home Energy Assistance Program Plan.

Allowability of costs is addressed in Michigan Community Action Agency Instruction Letter LIHEAP 96-01, the Master Agreement, 10 CFR Part 440, and the applicable Office of Management and Budget Circulars.

POLICY:

1. Labor/Standard Measures

Wages and fringe benefits related to the installation of standard weatherization measures. This line item includes weatherization contractors, pre and post inspectors, field supervisors who are installing materials, and warehouse personnel who are engaged in handling materials.

2. Materials/Standard Measures

- a. Materials purchased for the installation of standard weatherization measures in accordance with 10 CFR 440, Part A.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 402.3 | Page 2 of 3 |
| Community Services Policy Manual | SUBJECT Financial Administration: COST CATEGORIES LOW INCOME HOME ENERGY ASSISTANCE PROGRAM | | EFFECTIVE DATE 01-01-97 END DATE |

- b. Materials purchased for incidental repairs as defined in 10 CFR 440.3.

3. Support

- a. Wages and fringes of supervisory personnel. This includes personnel that are involved in supervising the work of labor. A percentage of the weatherization coordinator's salary and fringe benefits spent in the actual supervision of labor may be included in this line item (see 6.b. below).
- b. Wages and fringes of outreach staff.
- c. Costs to support the staff functions of the personnel identified in 3.a. and 3.b. above (i.e., space costs, communication costs, travel costs, etc.).
- d. Transportation of weatherization materials, tools, equipment, and work crews to storage site and to the site of weatherization work.
- e. Maintenance of tools and equipment.
- f. Storage of weatherization materials, tools, equipment, and weatherization vehicles.

4. Labor/Capital Intensive

This category will not be used for this program.

5. Materials/Capital Intensive

This category will not be used for this program.

6. Administration

- a. Wages and fringe benefits of secretaries, fiscal personnel, and other central administrative staff.
- b. Wages and fringe benefits of the weatherization coordinator when not carrying out the functions allowed under program support. There must be a time sheet to support the distribution between administration and support.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 402.3 | Page 3 of 3 |
| Community Services Policy Manual | SUBJECT Financial Administration: COST CATEGORIES LOW INCOME HOME ENERGY ASSISTANCE PROGRAM | | EFFECTIVE DATE 01-01-97 END DATE |

c. Costs to support the staff functions of the personnel identified in 6.a. and 6.b. above (i.e., space costs, communication costs, travel costs, etc.).

d. The cost of the audit performed in accordance with OMB Circular A-133 or OMB Circular A-128.

e. Indirect costs.

7. Training/Technical Assistance

This category will not be used for this program.

8. Liability Insurance

This category will not be used for this program.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 402.4 | Page 1 of 2 |
| Community Services Policy Manual | SUBJECT Financial Administration: COST CATEGORIES STATE EMERGENCY FUNDS | | EFFECTIVE DATE 01-01-97 END DATE |

ISSUANCES AFFECTED: A. REFERENCES State Emergency Funds Agreement

Master Agreement

Office of Management and Budget
Circular A-122, Cost Principles for
Nonprofit Organizations

Office of Management and Budget
Circular A-87, Cost Principles for
State, Local, and Indian Tribal
Governments

B. RESCISSIONS None

BACKGROUND:

This item contains descriptions of cost categories used on the FIA-3009, State Emergency Funds Statement of Expenditures.

Allowability of costs is addressed in the State Emergency Funds Agreement, the Master Agreement, and applicable Office of Management and Budget Circulars.

POLICY:

Administration

1. CAA Emergency Funds

Salaries/wages and fringe benefits for administration of the State Emergency Funds.

2. Other

Salaries/wages and fringe benefits to supplement administration of other critical needs programs. The Grantee must identify the program(s) on the State Emergency Funds Statement of Expenditures, FIA-3009.

Information/Referral/Outreach

Salaries/wages and fringe benefits for information, referral, and outreach activities for the State Emergency Funds program.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 402.4 | Page 2 of 2 |
| Community Services Policy Manual | SUBJECT Financial Administration: COST CATEGORIES STATE EMERGENCY FUNDS | | EFFECTIVE DATE 01-01-97 END DATE |

Direct Client Services

1. Relocation Services

- First Month's Rent
- Rent Arrearage
- Security Deposit
- Moving Expenses

2. Home Ownership Services

- House/Land Contract Payments
- Property Taxes and Fees
- Mobile Home Lot Rent
- House Insurance

3. Heat and Utility Services

- Heat
- Electric
- Water or Cooking
- Deposits
- Fees for Connection, Reconnection, or Hookups

4. Household Contents

- Food
- Stoves and Refrigerators
- Beds, Tables, Chairs
- Household Items

5. Medication

- Prescription

6. Other

The Grantee must identify the type(s) of other direct client services provided on the State Emergency Funds Statement of Expenditures, FIA-3009.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 403 | Page 1 of 2 |
| Community Services Policy Manual | SUBJECT Financial Administration: COST ALLOCATION | | EFFECTIVE DATE 12/15/97 END DATE |

ISSUANCES AFFECTED:

A. REFERENCES Office of Management and Budget
Circular A-122, Cost Principles for
Nonprofit Organizations

Office of Management and Budget
Circular A-87, Cost Principles for
State, Local, and Indian Tribal
Governments

B. RESCISSIONS Item 403 of the CSPM effective
January 1, 1997

BACKGROUND:

The basic purpose of a cost allocation plan is to describe the rationale and process for assigning portions of any shared costs to the benefiting programs.

A shared cost is allocable to a funding source, cost category, cost center, or any other cost objective to the extent that benefits are received by that cost objective. A shared cost that is allocable to a particular cost objective may not be shifted to another cost objective to avoid a funding deficiency, restriction imposed by regulation, or any other reason not reflective of the benefit received.

POLICY:

The Grantee is required to develop a written cost allocation plan which documents how all shared costs are distributed to benefiting programs. The plan must identify the cost(s) and method(s) of allocation and reflect a reasonable allocation procedure so the cost is allocated equitably among the benefiting programs. The cost allocation plan must include a signed approval/authorization by the appropriate Grantee official(s).

Community Services Block Grant funds may be used to support other programs when those programs do not have funds available to cover its share of expenditures. Such expenditures must be identifiable to those programs and be included in the budget and allowable for CSBG.

The Grantee is required to review the cost allocation plan no less than annually to ensure the proper allocation among benefiting programs. The outcome and date of the review must be documented in writing. Modifications may be made more frequently to reflect changes in Grantee program activity.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 403 | Page 2 of 2 |
| Community Services Policy Manual | SUBJECT Financial Administration: COST ALLOCATION | | EFFECTIVE DATE 12/15/97 END DATE |

ACTION:

The Grantee is required to maintain a written cost allocation plan which demonstrates and supports the distribution of shared costs in accordance with federal, state, and local requirements. The plan is to be approved by appropriate Grantee officials.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 404 | Page 1 of 2 |
| Community Services Policy Manual | SUBJECT Financial Administration: PROPERTY AND INVENTORY REQUIREMENTS | | EFFECTIVE DATE 01-01-97 END DATE |
| | | | |

ISSUANCES AFFECTED: A. REFERENCES Master Agreement

Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments

Office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments

Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations

Office of Management and Budget Circular A-122, Cost Principles for Nonprofit Organizations

B. RESCISSIONS Michigan Community Action Agency Instruction Letter 94-11, WGM 84-13, WGM 86-02, WGM 89-13a, and WGM 89-13B

BACKGROUND:

The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and Office of Management and Budget Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations* establish regulations regarding procurement and property management.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Organizations*, provide regulations regarding depreciation and use allowances.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 404 | Page 2 of 2 |
| Community Services Policy Manual | SUBJECT Financial Administration: PROPERTY AND INVENTORY REQUIREMENTS | | EFFECTIVE DATE 01-01-97 END DATE |
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POLICY:

The Grantee is required to comply with the requirements of the Master Agreement, the *Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, and Office of Management and Budget Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*, except as otherwise noted.

Equipment is defined as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more. Equipment purchases must be capitalized and cannot be expensed directly to a grant/contract. The Grantee may expense depreciation or a use allowance to a grant/contract in accordance with appropriate OMB Circular requirements. See Item 404.2 regarding the purchase of vehicles for the Weatherization Assistance Program.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 404.2 | Page 1 of 3 |
| Community Services Policy Manual | SUBJECT Financial Administration: WEATHERIZATION ASSISTANCE PROGRAM VEHICLE PURCHASE AND DISPOSITION | | EFFECTIVE DATE 11-01-01 ISSUE DATE 10-24-01 |

REFERENCE:

Department of Energy Weatherization Program Notice 01-1,5.16

PURPOSE:

To provide LWOs with instructions regarding the purchase, disposition and reporting of purchase of vehicles.

POLICY:

Vehicle Purchases

The Grantee is required to obtain prior written approval from the Agency and Department of Energy (DOE) for the purchase of vehicle(s) for the Weatherization Assistance Program.

The Grantee is required to submit a written request to the Agency that must include the following:

1. The bid specifications provided to potential bidders.
2. The bid documents received from vendors.
3. Identification of the bid which is being accepted.
4. If the Grantee does not accept the lowest bid, rationale must be provided.

The Grantee's grant manager will review the request. If approved by the grant manager, the request will be submitted to DOE for final review

The Grantee may not complete the purchase until approval has been received from the Agency. The grant manager is to obtain DOE's approval.

Within 15 days after the vehicle delivery date, the Grantee must submit verification of the purchase including the date of purchase, purchase price, and the vehicle identification number (VIN).

A Grantee's request for purchase and subsequent purchase information must be submitted to the attention of the their grant manager at:

Family Independence Agency
Grand Tower, Suite 1314
P.O. Box 30037
235 South Grand Avenue
Lansing, Michigan 48909

Vehicle Disposition

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 404.2 | Page 2 of 3 |
| Community Services Policy Manual | SUBJECT Financial Administration: WEATHERIZATION ASSISTANCE PROGRAM VEHICLE PURCHASE AND DISPOSITION | | EFFECTIVE DATE 11-01-01 ISSUE DATE 10-24-01 |

1. Fair Market Value per Unit of **Less** than \$5,000

- a. Proceeds from the sale are to be utilized in the Weatherization Assistance Program. Such income and related expenditures will be reported on the monthly Statement of Expenditures, FIA-4326, as Other Income and Other Expenditures.
- b. The Grantee must notify the agency grant manager in writing of the vehicle disposition. The notification must include a description of the vehicle, the VIN, the date of purchase, the date of disposition and the amount of sales proceeds. This must be submitted to the attention of the agency grant manager at the address identified above.

2. Fair Market Value per Unit **Greater** than \$5,000

- a. The Grantee may retain \$500 or ten percent of the sales proceeds, whichever is less, for selling and handling expenses. Such income and related expenditures will be reported on the monthly Statement of Expenditures, FIA-4326, as Other Income and Other Expenditures.
- b. The Grantee is required to submit a check, payable to the U. S. Department of Energy, for the net proceeds (see 2.a. above) to the attention of the procurement officer at:

U.S. Department of Energy
Chicago Regional Support Office
One South Wacker Drive
Suite 2380
Chicago, Illinois 60606

- c. The Grantee must notify the agency grant manager in writing of the vehicle disposition. The notification should include a description of the vehicle, the VIN, date of purchase, the date of disposition, the total amount of sale proceeds and a photocopy of the check sent to the Chicago Regional Support Office.

Vehicle Expenditures

1. Expenditure Costs:

Expenditures for purchased vehicles used for weatherization activities are to be charged to the support or the vehicle purchase cost category. See CSPM Item 401.2, Expenditure Reports and CSPM Item 402.2, Cost Categories Weatherization Assistance Program.

2. Cost to be included in the reported average cost per unit weatherized:

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 404.2 | Page 3 of 3 |
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When determining the average cost per unit, DOE allows local agencies to include only the reported amortized costs during the current program year.

Per Department of Energy Weatherization Program Notice 01-1, 5.16:

“For example, if a local agency purchases a new vehicle for \$24,000 with an expected useful life of the vehicle of 8 years (96 months), then the cost of that vehicle would be amortized at the rate of \$3,000 per year or \$250 per month...It permits local agencies to spread these costs out over the useful life of the vehicle... for the purpose of calculating the average cost per home, even though the full purchase is reported in the year in which it occurs.”

In the example above, the agency would add vehicle costs of \$250 per month to the total labor, support and material costs, when calculating the average cost per unit weatherized.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 405 | Page 1 of 4 |
| Community Services Policy Manual | SUBJECT Financial Administration: TRAVEL REIMBURSEMENT RATES | | EFFECTIVE DATE 01-01-04 ISSUE DATE 03-25-04 |

ISSUANCES AFFECTED:

REFERENCES Master Agreement
 State of Michigan Schedule of Travel Rates

BACKGROUND:

The Master Agreement, Assurance 1, Provision 1, states that the reimbursement rates for travel and related expenses will be set locally by the boards but will not exceed the state limits.

POLICY:

The Grantee may not charge travel expenditures related to programs funded by Agency contracts or grants, which exceed the following state rates, unless the agency has a procedure to establish travel rates and the rate has been approved by the agency board.

Note: The OMB cost principles require that travel costs be reasonable and necessary, and payment of more than the IRS limit, without adequate documentation to support a higher amount, could be determined to be unreasonable and result in a questioned cost.

In-State - Select Cities

Maximum

Meals and Lodging

| | |
|--|-----------------------|
| Lodging (actual supported by receipts) | \$ 65.00 (plus taxes) |
| Breakfast | 8.75 |
| Lunch | 8.75 |
| Dinner | 21.00 |

In-State - All Other

Meals and Lodging

| | |
|--|-----------------------|
| Lodging (actual supported by receipts) | \$ 65.00 (plus taxes) |
| Breakfast | 7.25 |
| Lunch | 7.25 |
| Dinner | 16.50 |

Per Diem

| | |
|-----------|----------|
| Per Diem | \$ 76.50 |
| Lodging | 45.50 |
| Breakfast | 7.25 |
| Lunch | 7.25 |
| Dinner | 16.50 |

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| Community Services Policy Manual | SUBJECT Financial Administration: TRAVEL REIMBURSEMENT RATES | | EFFECTIVE DATE 01-01-04 ISSUE DATE 03-25-04 |

Group Meetings

| | | |
|--|------------------------|--|
| Lodging (actual supported by receipts) | \$ 65.00 (plus taxes) | |
| Breakfast | 7.25 | |
| Lunch | 10.25 | |
| Dinner | 16.50 | |

Out-of-State - Select Cities

Meals and Lodging

| | | |
|--|-----------------------|--|
| Lodging (actual supported by receipts) | \$ 65.00 (plus taxes) | |
| Breakfast | 11.00 | |
| Lunch | 11.00 | |
| Dinner | 22.00 | |

Out-of-State - All Others

Meals and Lodging

| | | |
|--|-----------------------|--|
| Lodging (actual supported by receipts) | \$ 65.00 (plus taxes) | |
| Breakfast | 8.75 | |
| Lunch | 8.75 | |
| Dinner | 20.50 | |

Per Diem

| | | |
|-----------|----------|--|
| Per Diem | \$ 83.50 | |
| Lodging | 45.50 | |
| Breakfast | 8.50 | |
| Lunch | 8.75 | |
| Dinner | 20.50 | |

Trains

Meals will be at the applicable in-state or out-of-state rates. Sleeping car accommodations will be at actual cost.

Tips and Incidental Costs \$2.00 per day

Mileage Rate \$.375 per mile

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| Community Services Policy Manual | SUBJECT Financial Administration: TRAVEL REIMBURSEMENT RATES | | EFFECTIVE DATE 01-01-04 ISSUE DATE 03-25-04 |

Michigan - Select Cities

Ann Arbor
 Charlevoix
 Gaylord
 Mackinac Island
 Petoskey
 Traverse City

Select Counties

All of Wayne
 All of Oakland

OUT-OF-STATE-SELECT CITIES

California

Death Valley Los Angeles Mammoth Lakes
 San Diego San Francisco San Jose/Sunnyvale
 Palo Alto Yosemite National Park

Colorado

Aspen Telluride Vail

District of Columbia

Washington DC (also the cities of Alexandria, Falls Church, Fairfax, and the counties of Arlington, Loudoun And Fairfax in Virginia; and the counties of Montgomery and Prince Georges County in Maryland)

Florida

Fort Pierce Key West Palm Beach

Illinois

Chicago

Maryland

Ocean City

Massachusetts

Boston Cambridge
 Martha's Vineyard Nantucket

Minnesota

Minneapolis/St. Paul

Missouri

St. Louis

Montana

Big Sky

New Mexico

Santa Fe

New York

The Bronx/Brooklyn/Queens
 Manhattan

Ohio

Cincinnati

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| Pennsylvania | Philadelphia Pittsburgh | |
| Texas | Dallas | |
| Utah | Park City | |
| Virginia | Wintergreen | |
| Washington | Seattle | |

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 406 | Page 1 |
| Community Services Policy Manual | SUBJECT Financial Administration AUDIT CONFIRMATION LETTERS | | EFFECTIVE DATE 01-01-97 END DATE |

ISSUANCES AFFECTED: A. REFERENCES Office of Management and Budget
Circular A-128, Audit Requirements
for State and Local Governments

Office of Management and Budget
Circular A-133, Audits of Institutions
of Higher Education and Other
Nonprofit Organizations

B. RESCISSIONS None

POLICY: An auditor may request a confirmation from a funding source
to assure proper cash transactions and balance
verification.

Audit confirmation letters for programs funded by the
Family Independence Agency should be submitted to:

Family Independence Agency
Payment Document Control
P.O. Box 30025
7109 West Saginaw
Lansing, Michigan 48909

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 407 | Page 1 of 2 |
| Community Services Policy Manual | SUBJECT: Financial Administration: Income-Producing Activities | | EFFECTIVE DATE 04-01-98 END DATE |

ISSUANCES AFFECTED: A. REFERENCES None

B. RECISSIONS None

BACKGROUND:

The Grantee may, at times, engage in income-producing activities related to the Weatherization Assistance Program (WAP). Examples include cash landlord contributions and income received from Home Energy Rating System (HERS) activities. This item outlines the accounting procedures to be followed for these and similar income-producing activities.

POLICY:

The Grantee may account for net income from income producing activities either as program income for WAP or as unrestricted income for Grantee use. In either instance, the activity must be accounted for as a separate program or sub-program to weatherization.

Grantees opting to participate in income-producing activities must submit a description of how they will account for activity funds, to be incorporated into their Weatherization Plan.

Program Income for Weatherization

If income from the income-producing activity is to be considered as program income for WAP, 100% of the income generated must be utilized for WAP. All DOE guidelines (e.g., average cost per unit, NEAT requirements and income eligibility for clients) will apply to income generated by the activity.

All Grantee administrative costs used for the activity, not to exceed the amount of income generated by the program, can be charged to DOE. If the Grantee incurs a deficit in the activity, the deficit amounts must be charged to a program other than DOE.

Unrestricted Agency Income

The Grantee must follow OMB guidelines if the income from the income-producing activity is to be considered unrestricted agency income.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 407 | Page 2 of 2 |
| Community Services Policy Manual | SUBJECT: Financial Administration: Income-Producing Activities | | EFFECTIVE DATE 04-01-98 END DATE |

The use of equipment purchased with DOE funds for the activity requires a fair usage charge to the activity and is considered program income to WAP. Vehicle usage is to be charged by mileage documented on the vehicle log. Blower door usage is to be charged at a rate of \$5.00 per job.

All income from the activity can be used by the Grantee at its discretion. If the Grantee opts to use the unrestricted funds for WAP, it is not subject to DOE requirements when expending these funds.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 408 | Page 1 of 2 |
| Community Services Policy Manual | SUBJECT: Financial Administration: Community Services Block Grant Line Item Budget Transfer | | EFFECTIVE DATE 01/01/99 END DATE |

ISSUANCE DATE
12/08/99

ISSUANCES AFFECTED: REFERENCES: CSBG Grant Agreements and Discretionary Contracts

BACKGROUND:

Grantees receiving Community Services Block Grant funds for regular agency program activities or Community Services Block Grant – Discretionary (CSBG-D) funds (including funds for migrant services), may need to transfer funds from one budget line item to another during the grant or contract period. A line item budget transfer is required when a specified line item in a grant or contract is increased or decreased, while the total amount of the contract remains the same.

POLICY:

CSBG GRANT AGREEMENTS

A line item transfer must be requested and approved before a billing statement is submitted which exceeds a line item maximum. All line item transfer requests are submitted on a Line Item Transfer Request (FIA-4074) to the Grant Manager. A signed, approved/denied copy of the FIA-4074 will be returned to the Grantee within 30 days.

Line item transfers up to 10% of a line item, or \$5,000 limit per line item, whichever is greater, do not require prior approval. A Line Item Transfer Request (FIA-4074) is not needed. This is a one-time limit. Do not change the original line item budgeted amount on your Statement of Expenditures.

Processing Criteria for CSBG Grant Agreements:

Allowable Line Item Transfers:

1. Each line item increase must be accompanied by an equal amount of line item decrease. The increase or decrease may be spread across a number of line items, as long as the total of all decreases equals the total of all increases.
2. Each line item transfer request must be accompanied by an explanation for the change to each line item. Requests for increases will be evaluated on the basis of reasonableness and need. Each request for decrease will be evaluated on the basis of potential for negative impact on quantity and quality of service.

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| MICHIGAN FAMILY INDEPENDENCE AGENCY | | Item 408 | Page 2 of 2 |
| Community Services Policy Manual | SUBJECT: Financial Administration: Community Services Block Grant Line Item Budget Transfers | | EFFECTIVE DATE 01-01-99 END DATE |

ISSUANCE DATE
12/08/99

Unallowable Line Items Transfers:

1. Requests for transfers where the amount of increase does not equal the amount of decrease will be returned for correction.
2. Line item transfers that result in negative program impact will not be processed.
- *3. Line item transfers covering a cost for services, activities, staff, etc. that were not previously described in the original budget.
- *4. Line item transfers from an approved line item into a line item that didn't have a previous approved balance.

***NOTE:** A line item transfer, a budget amendment, or a contract amendment may be needed when transferring funds into a line item that was not funded when the grant was originally executed, or when adding an additional cost item for a service, activity, staff, etc. into an approved line item. Please contact your Grant Manager for clarification.

CSBG-D CONTRACTS

A line item transfer must be requested and approved before a billing statement is submitted which exceeds a line item maximum. All line item transfer requests are submitted on a Line Item Transfer Request (FIA-4074) to the Grant Manager. A signed, approved/denied copy of the FIA-4074 will be returned to the Grantee within 30 days. All Line Item Transfer Requests must be submitted by the 15th day of July of the contract year.

Line item transfers up to 5% or \$3,000 per line item, whichever is greater, do not require prior approval. A Line Item Transfer Request (FIA-4074) is not needed. This is a one-time limit. For example, if a line item is \$10,000, a contractor may transfer \$3,000 into the line item for a total of \$13,000. No more can be transferred without prior approval (FIA-4074). Do not change the original line item budgeted amount on your Statement of Expenditures.